

BANK INDONESIA REGULATION
NUMBER 16/19/PBI/2014
CONCERNING
AMENDMENT TO BANK INDONESIA REGULATION
NUMBER 15/17/PBI/2013
ON HEDGE SWAP TRANSACTIONS TO BANK INDONESIA

BY THE GRACE OF GOD ALMIGHTY

GOVERNOR OF BANK INDONESIA,

Considering:

- a. that the objective of Bank Indonesia is to achieve and maintain the stability of Rupiah;
- b. that to support the Rupiah stability it requires the deepening of foreign exchange market whereas one of them is to be conducted through the development of swap transactions in the context of hedging to Bank Indonesia;
- c. that based on the consideration as referred to in letter a and letter b, it is necessary to make amendment to Bank Indonesia Regulation Number 15/17/PBI/2013 concerning Hedge Swap Transactions to Bank Indonesia;

In view of:

- 1. Act Number 23 Year 1999 concerning Bank Indonesia (State Gazette of The Republic of Indonesia Year 1999 Number 66, Supplement to the State Gazette of The Republic of Indonesia Number 3843) as amended several time most recently by Act Number 6 Year 2009 concerning Stipulation of Government Regulation in Lieu of Act Number 2 Year 2008 on the Second Amendment to Act Number 23 Year 1999 concerning Bank Indonesia to become Act (State Gazette of The Republic of Indonesia Year

2009 Number 7, Supplement to the State Gazette of The Republic of Indonesia Number 4962);

2. Act Number 24 Year 1999 concerning Foreign Exchange Flow and Exchange Rate System (State Gazette of The Republic of Indonesia Year 1999 Number 67, Supplement to the State Gazette of The Republic of Indonesia Number 3844);

DECIDES:

To issue: BANK INDONESIA REGULATION CONCERNING AMENDMENT TO BANK INDONESIA REGULATION NUMBER 15/17/PBI/2013 ON HEDGE SWAP TRANSACTIONS TO BANK INDONESIA.

Chapter I

Several provisions in Bank Indonesia Regulations Number 15/17/PBI/2013 concerning Hedge Swap Transactions to Bank Indonesia (State Gazette of The Republic of Indonesia Year 2013 Number 237, Supplement to the State Gazette of The Republic of Indonesia Number 5480) shall be amended as follows:

1. Provision of Article 2 amended to read as follows:

Article 2

- (1) Banks can perform Hedge Swap Transactions to Bank Indonesia.
- (2) The Hedge Swap Transactions to Bank Indonesia as referred to in paragraph (1) should fulfill the following requirements:
 - a. conducted based on Underlying Transactions possessed by Banks or Customers;
 - b. the term of the Underlying Transactions shall be the same with or longer than the term of Banks' Hedging Contracts to Bank Indonesia; and
 - c. the ...

- c. the nominal value of the Hedge Swap Transactions to Bank Indonesia shall not exceed the nominal value of the Underlying Transactions.
- (3) In the event that the Underlying Transactions possessed by the Banks as referred to in paragraph (2) letter a, the scope of the Underlying Transactions covers:
- a. Foreign Loans of the Banks in the form of credit agreements and/or issuance of debt securities; and/or
 - b. Declared business funds.
- (4) In the event the Underlying Transactions possessed by customers as referred to in paragraph (2) letter a, the scope of the Underlying Transactions shall cover sale swap transactions between the Bank and customers associated with Hedging against:
- a. Foreign Loans in the form of credit agreements and/or issuance of debt securities;
 - b. Direct Investments;
 - c. Export proceeds;
 - d. Investments in infrastructures of public facilities constructions and productions;
 - e. Investments in commercial papers issued by the Government of The Republic of Indonesia; and/or
 - f. Investments in other economic activities.
2. Provision of Article 6 is amended to read as follows:
- Article 6
- (1) Banks may request:
- a. extension of Hedging Contracts to Bank Indonesia; and/or
 - b. extension of Hedge Swap Transactions to Bank Indonesia.
- (2) Bank Indonesia shall receive extension of Hedging Contracts and extension of Hedge Swap Transactions to Bank Indonesia submitted by Banks.

- (3) The term of Hedging Contracts extension to Bank Indonesia as referred to in paragraph (1) letter a, shall not exceed the remaining term of the Underlying Transactions, with a contract extension not exceeding 3 (three) years.
- (4) The term of Hedge Swap Transactions extension to Bank Indonesia as referred to in paragraph (1) letter b, is 3 (three) months, 6 (six) months, 12 (twelve) months, or in accordance with the remaining term of the Hedging Contracts, with a contract extension of 3 (three) months at minimum and 12 (twelve) months at maximum.
- (5) Banks must meet the requirements of Hedging Contract extensions to Bank Indonesia as referred to in paragraph (1) letter a, regulated as follows:
 - a. using the same type of Underlying Transaction in accordance with the underlying specified in the initial Hedging Contract;
 - b. In case the type of Underlying Transaction as referred to in letter a is possessed by the concerned Bank, then the nominal value of the Hedging Contract extension to Bank Indonesia is not to exceed the outstanding value of the Bank's Foreign Loans or the declared business funds of Banks; and
 - c. the term of Hedging Contract extension to Bank Indonesia shall not exceed the remaining term of the Underlying Transaction, with a contract extension not exceeding 3 (three) years.
- (6) Banks must meet the requirements for extending Hedge Swap Transactions to Bank Indonesia as referred to in paragraph (1) regulated as follows:
 - a. using valid Hedging Contracts;
 - b. using the same type of Underlying Transaction in accordance with the reference number specified in the concerned Hedging Contract;

- c. in the event the type of Underlying Transactions as referred to in letter b is possessed by Banks, then the nominal value of Hedge Swap Transactions to Bank Indonesia shall not exceed the Banks' Foreign Loans or the declared business funds; and
 - d. The term of Hedge Swap Transactions extension to Bank Indonesia is 3 (three) months, 6 (six) months and 12 (twelve) months, or in accordance with the remaining term of the Hedging Contracts, with a contract extensions of 3 (three) months at minimum and 12 (twelve) months at maximum.
- (7) Settlements of Hedge Swap Transaction extension to Bank Indonesia may be performed by netting, including at the time of Hedging Contract extensions.

3. Provision of Article 14 is amended to read as follows:

Article 14

Netting settlements for the extensions of Hedge Swap Transactions to Bank Indonesia, including at the time of the Hedging Contracts extensions as referred to in Article 6 paragraph (7) cover the following:

- a. netting for the same nominal value at each extension;
- b. netting for smaller nominal value at each extension; or
- c. netting for a nominal value in accordance with the outstanding value of Banks' Foreign Loans or declared business funds of Banks at each period of extension.

4. Between Article 14 and Article 15, 1 (one) article is inserted, namely Article 14A, so as to read as follows:

Article 14A

In the event Banks perform Hedge Swap Transactions to Bank Indonesia, the referred Hedge Swap Transactions to Bank Indonesia can be assumed as a pass-on of derivative transaction position of Banks with the related parties of Banks.

5. Provision of Article 15 is amended to read as follows:

Article 15

- (1) Banks that violate the provisions as referred to in Article 2 paragraph (2), Article 6 paragraph (5), Article 6 paragraph (6), and/or Article 7 shall be imposed sanctions in the form of:
 - a. a written warning; and
 - b. a financial penalty of 1‰ (one per mil) from the value of the Hedge Swap Transaction to Bank Indonesia in Rupiah denomination using JISDOR on the date of transaction not to exceed Rp1,000,000,000.00 (one billion rupiah) per Hedge Swap Transaction to Bank Indonesia.
- (2) Banks that violate the provisions as referred to in Article 11 letter c and/or Article 12 paragraph (1) shall be imposed a sanction in the form of a written warning.
- (3) Banks that violate the provisions as referred to in Article 13 paragraph (2) and Article 13 paragraph (3) shall be imposed sanctions in the form of:
 - a. a written warning; and
 - b. a financial penalty calculated on the basis of:
 1. average interest rate of the applicable Fed Fund during the period of delay added by 200 (two hundred) basis point multiplied by the transaction nominal multiplied by days of delay divided by 360 (three hundred sixty) for settlement of the penalty in US Dollar currency; and
 2. average interest rate of the applicable Bank Indonesia policy (BI rate) added by 200 (two hundred) basis point multiplied by the transaction nominal multiplied by the days of delay divided by 360 (three hundred sixty) for settlement of the financial penalty in Rupiah.
- (4) Settlements of the financial penalty as referred to in paragraph (1) letter b shall be conducted through debiting the Rupiah checking account of the concerned Bank in Bank Indonesia.

(5) Settlements...

- (5) Settlements of the financial penalty as referred to in paragraph (3) letter b shall be performed through debiting the Foreign Currency or Rupiah checking account of the concerned Bank in Bank Indonesia.

6. Provision of Article 16 is amended to read as follows:

Article 16

In the event there are violations of Article 2 paragraph (2), Article 6 paragraph (6), Article 7, and/or Article 12 paragraph (1) during the period of the Hedging Contracts, the Hedge Swap Transactions to Bank Indonesia may not be extended.

Article II

This Bank Indonesia Regulation comes into effect on the date of enactment.

For public cognizance, ordering the promulgation of this Regulation of Bank Indonesia by placing it in the State Gazette of The Republic of Indonesia.

Issued in Jakarta

On 17 September 2014

GOVERNOR OF BANK INDONESIA,

AGUS D. W. MARTOWARDOJO

Enacted in Jakarta

on 17 September 2014

MINISTER OF LAW AND HUMAN RIGHTS

THE REPUBLIC OF INDONESIA,

AMIR SYAMSUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2014
NUMBER 215

DPM

ELUCIDATION
OF
BANK INDONESIA REGULATION
NUMBER 16/19/ PBI/ 2014
CONCERNING
AMENDMENT TO BANK INDONESIA REGULATION
NUMBER 15/17/PBI/2013 ON HEDGE SWAP TRANSACTIONS
TO BANK INDONESIA

I. GENERAL

In the efforts to further encourage derivative transactions in the domestic foreign exchange market which at present is undeveloped and the high segmentation resulted by the limitations of counterparty line and also in line with the dynamic growth of domestic foreign exchange market, Bank Indonesia considers it necessary to make improvement to the regulation of Hedge Swap Transactions to Bank Indonesia.

This improvement is expected to enhance the effectiveness of the implementation of Hedge Swap Transactions to Bank Indonesia and to provide a positive impact on the efforts to accelerate the deepening of domestic foreign exchange market.

II. ARTICLE BY ARTICLE

Article I

Number 1

Article 2

Paragraph (1)

Self explanatory

Paragraph (2)

Self explanatory

Paragraph (3)

Letter ...

Letter a

Self explanatory

Letter b

The terms of declared business funds is the terms used in the regulation on minimum capital requirements of commercial banks issued by the Authorities and/or Bank Indonesia regulation concerning Foreign Loans of Banks.

Paragraph (4)

Self explanatory

Number 2

Article 6

Self explanatory

Number 3

Article 14

Self explanatory

Number 4

Article 14A

The pass-on obligation of Banks' derivative transactions with the Banks' related parties shall refer to Bank Indonesia regulation on derivative transactions.

The definition of related parties shall refer to the regulation of maximum lending limits of commercial banks issued by the authorities.

Number 5

Article 15

Self explanatory

Number 6

Article 16

Self explanatory

Article II

Self explanatory